



April 2020

UIF & COVID-19 – Revision of the UIF relief scheme provisions

On 25 March 2020, the Minister of Employment and Labour announced the Unemployment Insurance Fund (UIF) Temporary Employee/Employer Relief Scheme in response to the impact of COVID-19.

The programme is called “C19-TERS”.

C19-TERS was well-received by companies but some of the initial requirements were restrictive. The Minister issued an amendment to the UIF Directive on 8 April 2020 (government gazette number 43216). We discuss the changes to C19-TERS below. Please refer to [our previous alert](#) on this topic.

The amended UIF Directive: Who qualifies?

The original directive issued on 25 March 2020 required that the company [close its operations](#) for a period of three (3) months or a lesser period [and suffer financial distress](#). A very strict interpretation would be for companies to close completely and the directive did not accommodate scenarios where the companies could still run parts of their business operations during the lockdown. The term “financial distress” was also not defined but this requirement has now been removed.

The amendment to the directive now addresses this. The defined term “temporary lay-off” has been amended as follows:

“temporary lay-off” means a [reduction in work following a temporary closure of business operations, whether total or partial, due to Covid -19 pandemic for the period of the National Disaster.](#)

This now allows companies where divisions were closed whilst other divisions continue to operate to access C19-TERS.

Which employees are eligible to claim and how much will employees receive?

Employees who suffer or will suffer a loss of income as a result of the temporary closure by the employer of its business operations and who were in employment prior to the commencement of the national lock-down on 27 March 2020 are eligible to receive the C19-TERS benefits.

The salary to be considered when calculating the benefits will be capped at a maximum amount

of R17,712.00 per month, per employee and an employee will be paid in terms of the income replacement rate sliding scale (38%-60%) as provided in the Unemployment Insurance Fund Act^[1]. **(UIF Act)**. Moreover, should an employee's income determined in terms of the income replacement **(IRR)** sliding scale fall below R3500 per month, the employee will be paid a replacement income equal to that amount.

Per the original directive, employees who were paid by the employer could not receive a C19-TERS benefit.

This has changed. An employee may only receive a C19-TERS in terms of the directive if the total of the benefit together with any additional payment by the employer in any period is not more than the remuneration that the employee would ordinarily have received for working during that period.

A note about Bargaining Councils

If the employer's employees, during the period of lockdown, receive a C19-TERS benefit from a bargaining council, that employer may not submit an application. i.e. the employee may not secure a C-19 TERS benefit from the bargaining council and the employer.

Other salient points to remember is that parties to the bargaining council have concluded a collective agreement and the bargaining council has concluded a Memorandum of Agreement **(MoA)** with the Fund for the council to disburse C-19 TERS benefits on behalf of the Fund.

What is the process to apply?

1. The employer sends an email to the following email address: covid19ters@labour.gov.za;
2. An automatic response will outline the application process, as well as the documents / information required by the UIF to process the application. A provincial-based departmental rapid response team will thereafter contact the company to further assist with the application. All documents submitted will be subject to verification;
3. The employer is required to sign a MoA;
4. The UIF will pay the C19-TERS benefit into the employer's bank account. The employer must open a separate bank account to receive these UIF benefits and cannot transfer these funds into another bank account of that employer;
5. The UIF will remit the C19-TERS benefits to the employer's business account within ten (10) business days of the submission of the documents and information;
6. Once the employer receives the funds from the UIF, the employer has two (2) days to onward distribute the benefits to employees;
7. A variety of documentation must be submitted to the UIF with the application.

Conclusion

The employer must inform the UIF immediately on the recommencement of its business operations that were subject to temporary closure. The employer must return any unutilised funds, including interest, to the UIF within 10 days of the recommencement of its business operations, or the termination of MoA, whichever is the earlier.

The UIF has also provided a dedicated line that will assist all employers, employees, or Bargaining Council on C19-TERS (012 337 1997). All relevant / key information or any urgent changes will be communicated on the Department of Employment and Labour website (www.labour.gov.za).

For additional information or assistance, please contact your KPMG Tax & Legal team.

^[1] Unemployment Insurance Fund Act No 63 of 2001 (as amended)



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Regards
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FOOTNOTES

^[1] Unemployment Insurance Fund Act No 63 of 2001 (as amended)

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